

**TENNESSEE EDUCATION LOTTERY CORPORATION**  
**Funding Board Presentation**  
**December 15, 2006**

**ESTIMATION OF**  
**TOTAL AND NET LOTTERY PROCEEDS**  
**FOR FISCAL YEARS ENDING**  
**JUNE 30, 2007 and 2008**

**TENNESSEE EDUCATION LOTTERY CORPORATION  
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS  
FOR FISCAL YEARS ENDING JUNE 30, 2007 and 2008**

**SUMMARY INFORMATION FOR FISCAL YEAR 2007:**

**As of November 30, 2006 (in Millions)**

Gross Ticket Sales	\$ 414.5
Weekly Average	\$ 19.0
Total Proceeds	\$ 386.1
<b>Return to Education</b>	<b>\$ 103.0</b>
% of Total Proceeds	26.5 %
<b>After-School Programs Account</b>	<b>\$ 4.7</b>

**Projected for Fiscal Year Ending June 30, 2007 (in Millions)**

	<u>Budget</u>	<u>Low Range</u>	<u>High Range</u>
Gross Ticket Sales	\$1,051.4	\$ 1,061.8	\$1,071.1
Weekly Average	\$ 20.2	\$ 20.3	\$ 20.6
Total Proceeds	\$ 980.2	\$ 994.0	\$ 1,003.2
<b>Return to Education</b>	<b>\$ 275.6</b>	<b>\$ 268.6</b>	<b>\$ 272.9</b>
% of Total Proceeds	28 %	27 %	27%
<b>After-School Programs Account</b>	<b>\$ 7.0</b>	<b>\$ 12.0</b>	<b>\$ 12.0</b>

**SUMMARY INFORMATION FOR FISCAL YEAR 2008:**

	<u>Low Range</u>	<u>High Range</u>
Gross Ticket Sales	\$ 1,093.6	\$ 1,103.2
Weekly Average	\$ 20.8	\$ 21.1
Total Proceeds	\$ 1,023.3	\$ 1,034.0
<b>Return to Education</b>	<b>\$ 274.0</b>	<b>\$ 278.4</b>
% of Total Proceeds	27 %	27 %
<b>After-School Programs Account</b>	<b>\$ 12.0</b>	<b>\$ 12.0</b>

## ADDITIONAL INFORMATION

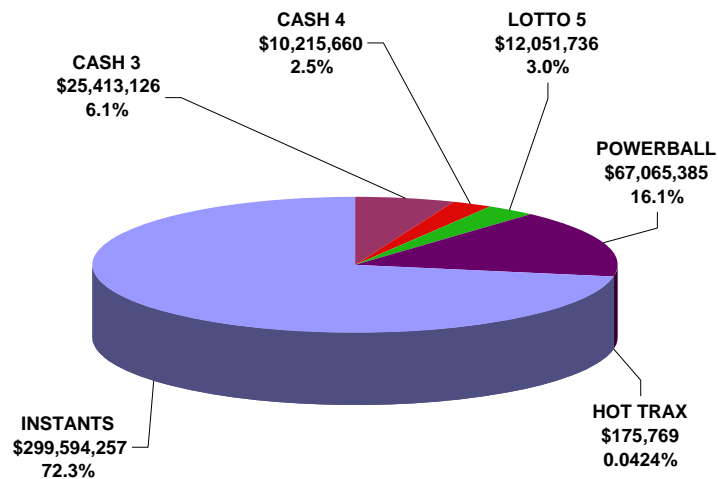
### Total Sales:

- **\$414.5 million as of November 30, 2006**  
- Weekly Average of \$19.0 million
- **\$389.6 Million as of November 30, 2005**  
- Weekly Average of \$17.8 million
- **\$24.9 Million Increase FY07 compared to FY06**  
- Weekly Average Increase of \$1.14 million

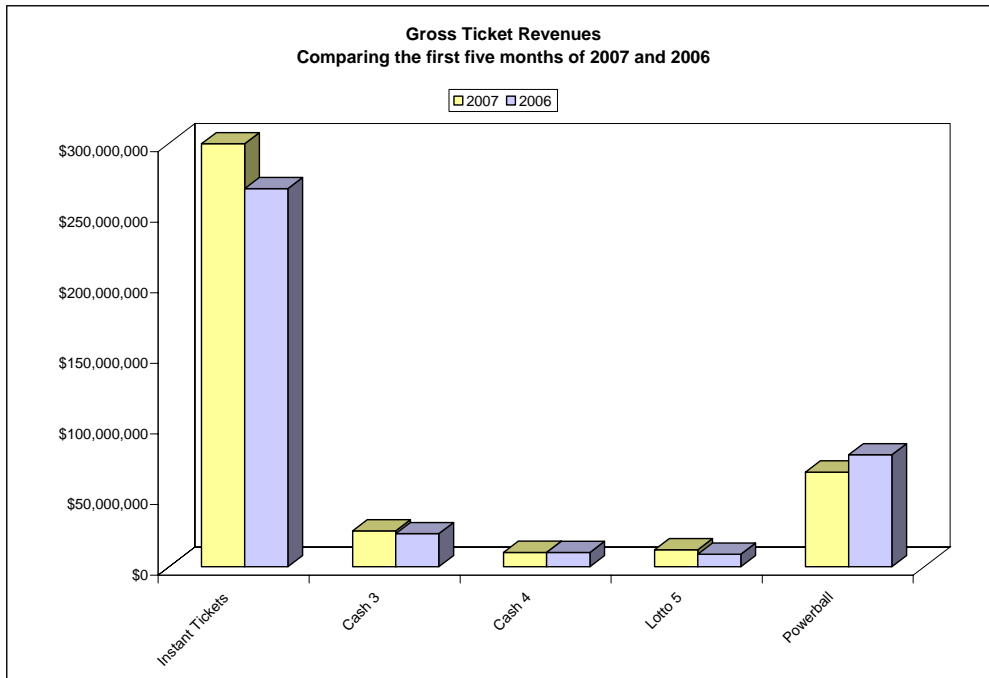
### Sales By Product as of November 30, 2006:

<u>Game</u>	<u>Sales</u>	<u>% of Total</u>
Instant Games	\$299.6 million	72.3 %
Powerball	\$ 67.1 million	16.2 %
CASH 3	\$ 25.4 million	6.1 %
CASH 4	\$ 10.2 million	2.5 %
LOTTO 5	\$ 12.1 million	2.9 %
HotTrax (start 11/19/06)	\$ 0.18 million	.004%

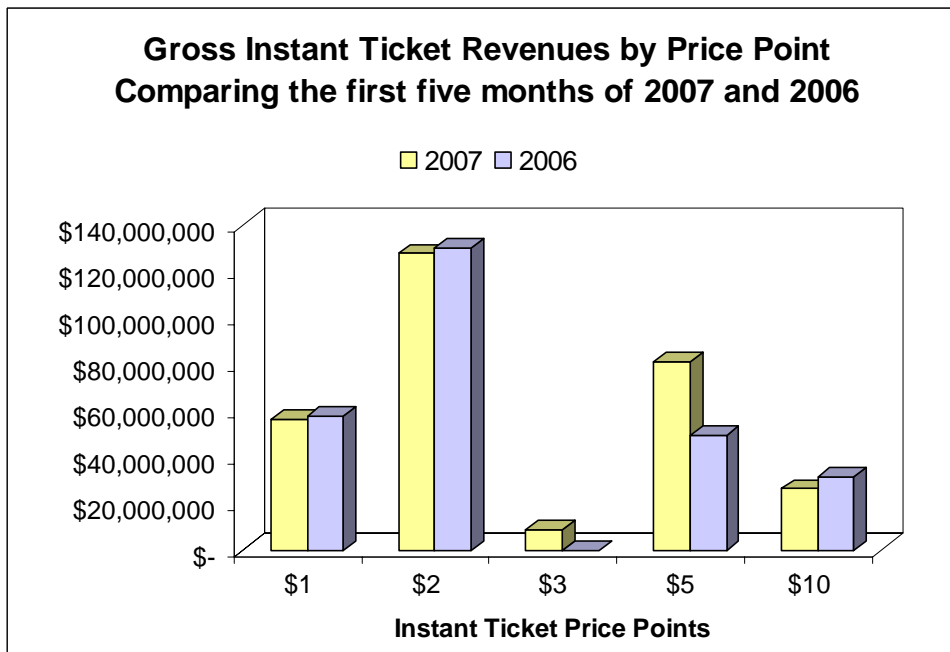
TENNESSEE EDUCATION LOTTERY CORPORATION  
SALES BY PRODUCT  
FOR THE FISCAL YEAR TO DATE AS OF NOVEMBER 30, 2006



## Product by Product Comparison FY07 to FY06 (First Five Months)



## Instant Games Most Popular Product



### **Lottery for Education Proceeds**

- \$103.0 million as of 11/30/06      26.5% of Total Proceeds
- \$104.6 million as of 11/30/05      28.7% of Total Proceeds

### **After-School Program Proceeds**

- \$4.7 million as of 11/30/06
  - Actual, Realized Unclaimed Monies
  - Based on expired online draws and closed instant games

## **FISCAL YEAR 2007 ESTIMATES**

**Gross Sales**      **\$1.062 - \$1.072 billion**  
**Current Budget**      **\$1.051 billion**

- Instant Games      72 % of Gross Sales Estimate
- Powerball      16 % of Gross Sales Estimate
- CASH3 and CASH4      8 % of Gross Sales Estimate
- LOTTO5      2 % of Gross Sales Estimate
- New Online Games      2 % of Gross Sales Estimate

**Lottery for Education Proceeds**      **\$268.6 - \$272.9 million**  
**Current Budget**      **\$ 275.6 million**

- Budget includes use of \$7 million in unclaimed from FY06 for prizes
- Statute change on use of Unclaimed Monies impacts estimate by \$7 - \$10 million

**After-School Program Proceeds**      **\$12 million**  
**Current Budget**      **\$7 million**

- Estimate based on 100% of expected Unclaimed Monies in FY07
- Budget based on 50% of Estimated Unclaimed Monies in FY07
- Policy change in FY07 to record Unclaimed Monies at Actual versus Estimate

## Significant Factors Impacting Estimates

### Instant Games

#### Weekly Averages

- ❖ As of November 30, 2006 **\$13.7 million**
- ❖ Projected Average for FY07 **\$14.7 million**

- **3 games per month launch strategy**
- **Price Point Mix same as FY06**
  - \$1 35% of game mix
  - \$2 35% of game mix
  - \$3 & \$5 22% of game mix
  - \$10 8% of game mix
- **Sales impacted significantly by Price Payout**
- **Prize Payout % remain same as FY06**
  - 64%
  - \$7 million unclaimed = 1% Prize Payout Impact
- **2<sup>nd</sup> Chance Draw to allow for longer sale periods**

### Powerball

#### Weekly Averages

- ❖ As of November 30, 2006 **\$3.1 million**
- ❖ Projected Average for FY07 **\$3.2 million**

- **Sales impacted by size of jackpots**
- **Two (2) \$200 million jackpots as of October 31, 2006**
- **Estimate includes 1 jackpot expected to exceed \$300 million**
- **Game design includes:**
  - 2 jackpots in \$150-\$200 million range
  - 1 jackpot in \$250 million+ range
  - expected average jackpot won of \$97 million

### CASH3 and CASH4

#### Weekly Averages

- |                              |                       |                       |
|------------------------------|-----------------------|-----------------------|
|                              | <u><b>CASH 3</b></u>  | <u><b>CASH 4</b></u>  |
| ❖ As of November 30, 2006    | <b>\$1.16 million</b> | <b>\$0.47 million</b> |
| ❖ Projected Average for FY07 | <b>\$1.25 million</b> | <b>\$0.49 million</b> |

- **Midday Draws introduced for both products in 11/05**
- **Product sales generally increase during 2<sup>nd</sup> and 3<sup>rd</sup> Quarters**

## **LOTTO 5**

### **Weekly Averages**

- ❖ **As of November 30, 2006**                      **\$0.55 million**
- ❖ **Projected Average for FY07**                      **\$0.55 million**

- **Sales impacted by size of jackpots**
- **Two (2) jackpots exceeding \$300,000 as of November 30, 2006**
- **Estimates includes similar size jackpot activity to June 30, 2007**

### **New Online Games**

- **HotTrax Champions introduced 11/19/06**
  - 300 locations to date
  - Social-space product
  - Advertising and player awareness
- **New Product Planned for Quarter 3 of the Fiscal Year**
  - Million Dollar Prizes
  - Limited Ticket Quantity

### **Direct Gaming-Related Expenses**

- Aggregate Prize Expense for Instant Games estimated at **64%**
- Aggregate Prize Expense for Online Games estimated at **50.2%**
- Gaming vendors' fees are % of sales per terms of each contract
- Retailer sales commissions are **6.5%** of gross sales

### **Non-Direct Expenses**

- Advertising is estimated at \$14.9 million, or 1.4% of gross sales
- Other Gaming estimated at \$6.3 million, or 0.6% of gross sales
- General and Administrative estimated at \$16.2 million, or 1.5% of gross sales

## **FISCAL YEAR 2008 ESTIMATES**

### **FY08 Estimates based on industry-wide 10-year average growth**

- **Gross Sales growth at 3%**
- **Return to Education growth at 2%**